

Service Date: January 30, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION  
THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF THE APPLICATION OF	)	
THE MONTANA POWER COMPANY FOR	)	
AUTHORIZATION TO ASSUME LIABILITY	)	
TO PAY AMOUNTS SUFFICIENT FOR THE	)	DOCKET 83.4.26
PAYMENT OF NOT TO EXCEED \$120,000,000	)	
OF POLLUTION CONTROL REVENUE BONDS TO	)	ORDER NO. 4979c
BE ISSUED BY THE CITY OF FORSYTH,	)	
MONTANA, AND IN CONNECTION THEREWITH,	)	
TO ISSUE APPLICANT'S FIRST MORTGAGE	)	
BONDS AS EVIDENCE OF THE APPLICANT'S	)	
OBLIGATIONS WITH RESPECT THERETO.	)	

ORDER

The Montana Power Company ("Applicant") has filed with the Public Service Commission its verified Application, as supplemented, pursuant to §§69-3-501 through 69-3-507 of the Montana Code Annotated ("MCA"), seeking an order authorizing it to consummate the transactions proposed therein, including the borrowing of not to exceed \$120,000,000 from the City of Forsyth, Montana ("City"), the assumption of liability to pay amounts sufficient for the payment of the principal of, and premium, if any, and interest on, not to exceed \$120,000,000 of certain pollution control revenue bonds ("Bonds") to be issued by the City, and the issuance and delivery, to evidence the Applicant's obligation to repay the loans made to it by the City, of one or more new series of Applicant's first mortgage bonds. The Commission, by Orders Nos. 4979, 4979a and 4979b, has granted its preliminary approval of the Application.

The Application as supplemented its Application with Supplemental Application, dated June 28, 1983, and a Second Supplemental Application, dated December 23, 1983.

The Application, as supplemented, states that Applicant is a public utility, as defined in MCA §60-3-101, in that it furnishes electric and natural gas service in the State of Montana; that Applicant's principal executive office is at 40 East Broadway, Butte, Montana; and that Applicant is duly qualified to do business in the States of Montana, Wyoming and Idaho. Detailed information with respect to the general character of Applicant's business and the territory served by it is set forth in the Application, as supplemented, on file in this Docket.

The Application , as supplemented, states that:

(1) The City proposes to issue and sell to underwriters \$119,660,000 principal amount of the Bonds.

(2) The proceeds from the sale of the Bonds, net of underwriters' compensation, will be loaned to Applicant pursuant to Loan Agreements between the City and Applicant. Applicant will use these borrowings to refund \$120,000,000 principal amount of the City's prior pollution control revenue bonds, maturing June 1, 1954, and to pay costs incidental to the refunding thereof and to the issuance of the Bonds. The proceeds from the sale of the prior bonds were loaned to the Company to finance a part of the Company's cost of certain pollution control facilities being constructed at the Colstrip Units Nos. 3 and 4. The prior bonds were sold in anticipation of the refinancing herein proposed.

(3) The Bonds (i) will be issued in two series pursuant to a separate Indenture of Trust for each series, (ii) will be dated as of January 1, 1984 and (iii) will bear interest payable semi-annually on January 1 and July 1 of each year, commencing July 1, 1984.

(4) One series of the Bonds in principal amount of \$80,000,000 ("Fixed Rate Bonds") will bear interest at fixed rates and that: (i) \$40,000,000 of the Fixed Rate Bonds will bear interest at the rate of 10.0 percent per annum and will mature January 1, 2004, (ii) the remaining

\$40,000,000 of the Fixed Rate Bonds will bear interest at the rate of 10.125 percent per annum and mature on January 1, 2014, (iii) the Fixed Rate Bonds maturing in 2004 will be sold by the City to underwriters at a price equal to 97.348 percent of their principal amount and will be re-offered by the underwriters at an initial offering price equal to 99.25 percent of their principal amount, (iv) the Fixed Rate Bonds maturing in 2014 will be sold by the City to underwriters at a price equal to 97.098 percent of their principal amount and will be re-offered by the underwriters at an initial offering price equal to 99.25 percent of their principal amount, and (v) the effective interest cost to the City will be 10.32 percent per annum for Fixed Rate Bonds maturing in 2004 and 10.44 percent per annum for Fixed Rate Bonds maturing in 2014.

(5) With respect to the Fixed Rate Bonds, the Applicant will enter into a Loan Agreement with the City and a Bond Delivery Agreement with the trustee for the holders of Fixed Rate Bonds. Under such Loan Agreement, the Company will be obligated to pay amounts equal to the principal of and premium, if any, and interest on, the Fixed Rate Bonds when such amounts are due on the Fixed Rate Bonds. Under such Bond Delivery Agreement, the Applicant will deliver a series of its first mortgage bonds, in the principal amount of \$80,000,000, to such trustee to evidence the Applicant's obligations under such Loan Agreement. One half of such first mortgage bonds will bear the same interest rate and have the same maturity date as the Fixed Rate Bonds of each maturity.

(6) The other series of the Bonds will be in the principal amount of \$39,660,000 ("Variable Rate Bonds") and will bear interest at the rate of 8.125 percent per annum until July 1, 1988, and thereafter, bear interest at a variable rate established annually, except as set forth in the following paragraph, provided, that, in no event, will the interest rate on the Variable Rate Bonds exceed 15 percent per annum. The Variable Rate Bonds: (i) will mature January 1, 2014, (ii) will be sold by the City to underwriters at a price equal to 98.098 percent of their principal amount, (iii) will be re-offered by the underwriters at an initial offering price equal to 100.0 percent of their principal amount, and (iv) will have an effective interest cost to the City of 8.20 percent per annum during the period ending June 30, 1988.

(7) Holders of Variable Rate Bonds may tender their bonds to a tender agent appointed pursuant to the Indenture of Trust relating to the Variable Rate Bonds for purchase at a price equal to the principal amount thereof on July 1, 1988, and on each July 1 thereafter on which the interest rate borne by the Variable Rate Bonds may change. A remarketing agent appointed pursuant to such Indenture of Trust will attempt to remarket the Variable Rate Bonds which have been delivered for purchase to provide funds to pay the purchase price of such Variable Rate Bonds. To the extent that such remarketing has not provided funds sufficient to pay the purchase price of such Bonds, the Applicant will be obligated under the Loan Agreement relating to the Variable Rate Bonds to pay such amounts. The Applicant may, at its option, terminate its obligation with respect to the purchase of Variable Rate Bonds. Following such termination, holders of Variable Rate Bonds will no longer have the right to deliver their bonds for purchase and the Variable Rate Bonds will bear interest at a fixed interest rate until maturity.

(8) With respect to the Variable Rate Bonds, the Applicant will enter into a Loan Agreement with the City and a Bond Delivery Agreement with the trustee for the holders of the Variable Rate Bonds. Under such Loan Agreement, the Company will be obligated to pay amount equal to the principal of, and premium, if any, and interest on, the Variable Rate Bonds when such amounts are due on the Variable Rate Bonds. The Company also will be obligated to pay amounts necessary to purchase Variable Rate Bonds which shall have been tendered to the tender agent for purchase, to the extent that funds available from remarketing and certain other sources shall not be sufficient to do so. Under such Bond Delivery Agreement, the Applicant will deliver a series of its first mortgage bonds to such trustee to evidence the Applicant's obligations under such Loan Agreement. This series of first mortgage bonds will bear a fixed rate of interest equal to the initial rate of interest on the Variable Rate Bonds and will be in that principal amount in excess of the principal amount of the Variable Rate Bonds sufficient to fully pay the principal of the Variable Rate Bonds and seven months' accrued interest computed at 15 percent per annum. By this means, the Applicant will provide for the payment of principal of and interest on the Variable Rate Bonds should the interest rate on such Bonds during some future period exceed the interest rate initially borne by such Bonds. Such series of first mortgage bonds will be in the principal amount of \$41,200,000.

(9) The underwriters will purchase the Bonds pursuant to separate Bond Purchase Agreements with the City relating to each series of the Bonds. Pursuant to separate Inducement Letters among the Applicant, the underwriters and the City, the Applicant will assume the obligation to pay certain expenses on the City and the underwriters should the sale of the Bonds not be consummated.

The Third Supplemental Application, which stated the executed copies of certain exhibits thereto were not available at the time of filing, was accompanied by unexecuted copies of those exhibits in substantially final form.

Further information regarding the proposed transactions is contained in the Application, as supplemented, and exhibits on file in this Docket.

Expenses in connection with the proposed transactions are to be paid from the proceeds of the Bonds.

Other than approval of this Commission, no regulatory authorization is required for Applicant to carry out the proposed transaction.

The consummation by Applicant of the proposed transactions will be proper and lawful under provisions of Montana law.

The Application, as supplemented, requests that the Commission issue its Order authorizing Applicant to consummate the transactions proposed therein.

### FINDINGS OF FACT

(1) The Applicant, The Montana Power Company, as a corporation organized and existing under and by virtue of the laws of the State of Montana and is qualified to transact business in the State of Montana.

(2) The Applicant is operating as a public utility, as defined in MCA §69-3-101 and, as such, is engaged in furnishing electric and natural gas utility service in the State of Montana.

(3) The Commission has jurisdiction over the subject matter of the Application under MCA §§69-3-501 through 69-3-507, inclusive.

(4) Pursuant to MCA §69-3-504, notice of the filing of the Application and the First, Second and Third Supplemental Applications has been given by inclusion of the Application, as

supplemented in the Commission's agenda for April 25 and July 6, 1983, and January 3 and January 30, 1984.

(5) Opportunity to be heard with respect to the Application, as supplemented, has been duly afforded due consideration has been given to the matters presented and filed in connection therewith; and the Application as supplemented, should be approved as hereinafter ordered.

(6) The transactions proposed by the Applicant, as hereinafter authorized, will be for lawful purposes, and are consistent with the public interest; that such transactions will be appropriate for and consistent with the proper performance by Applicant of service as a public utility in the State of Montana and will not impair its ability to perform that service; the proposed transactions are reasonably necessary and appropriate for such purposes; and upon the consummation of the proposed transactions, the aggregate amount of securities to be outstanding and to be guaranteed by Applicant will not exceed the fair value of its properties and business.

#### CONCLUSION OF LAW

That the Application, as supplemented, herein complies with MCA §§69-3-501 through 69-3-607 and other laws of Montana, as aforesaid, and the same should be granted as hereinafter ordered.

#### ORDER

NOW, THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its office at 2701 Prospect Avenue, Helena, Montana, on January 30, 1984, there regularly came before the Commission for final action the matters and things in this Docket. The Commission being fully advised in the premises makes and enters the following Orders:

IT IS ORDERED that the Application, as supplemented, of The Montana Power Company in this Docket is hereby approved; and that Applicant is hereby authorized, prior to April 1, 1984, to borrow not to exceed \$119,660,000 from the City of Forsyth, Montana, to

assume liability to pay amounts sufficient for the payment of not to exceed \$119,660,000 of the Bonds to be issued by the City, and to issue and deliver, as evidence of its obligations, not to exceed \$121,200,000 principal amount of one or more new series of Applicant's first mortgage bonds, such transaction to be consummated on the terms and subject to the conditions set forth in the Application, as supplemented, and the documents filed as exhibits thereto.

IT IS FURTHER ORDERED that to the extent that Orders Nos. 4979 and 4979a in this Docket are inconsistent with this Order, Orders Nos. 4979 and 4979a hereby are superseded and revoked.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuations, estimates or determinations of cost, or any other matter subject to its jurisdiction as provided by law.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed done or performed in connection herewith shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized by this Order or authorized, issued, assumed or guaranteed, under the provisions of MCA §§69-3-501 through 69-3-507.

DONE at Helena, Montana, this <sup>30</sup> day of January , 1984 by a 5 - 0 vote.

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THOMAS SCHNEIDER , Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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CLYDE JARVIS, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary  
(SEAL)

Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 28.2.4806, ARM.